

Internal Service Funds

Description

The City uses two separate Internal Service Funds to account for the activity of this fund type. The individual funds are Fleet Management and Self-Insurance Funds.

Fleet Management Fund

Fund Purpose

This fund is used to account for the expenditures associated with purchasing and maintaining the City's vehicles. Replacement and operation of vehicles are charged to the City departments as internal operating costs to each program based on the quantity and type of vehicle used. The department charges become revenue to the Fleet Management Fund.

Fleet Management Fund Revenues and Transfers-In

Internal Charges (Vehicle Acquisition and Maintenance & Operation) represent approximately 95.3% of this fund's operating resources (revenue and transfers-in). These charges are comprised of a "rental" rate to programs sufficient for the acquisition/replacement, maintenance, and operation of City vehicles. Internal Charges for FY 2004/05 totals \$11.5 million and are projected to increase by approximately \$0.4 million from the FY 2003/04 year-end estimate. This is primarily attributed to the added cost to replace, maintain, and operate new vehicles added in FY 2003/04 and late FY 2002/03.

Miscellaneous Revenue from surplus property sales is budgeted at \$0.2 million for FY 2004/05, which is down a nominal \$16,518 compared to the FY 2003/04 year-end estimate.

Internal Charges Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$11.5	\$11.5*
2003/04	\$11.1	\$11.1*
2002/03	\$10.5	\$10.5
2001/02	\$10.9	\$10.7

Miscellaneous Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.2	\$0.2*
2003/04	\$0.3	\$0.2*
2002/03	\$0.3	\$0.2
2001/02	-	\$0.5

INTERNAL SERVICE FUNDS

Budget by Fund

Interest Earnings budget for FY 2004/05 totals \$0.4 million, which is a \$0.1 million increase from the FY 2003/04 year-end estimate. Interest earnings are generated on idle Fleet Management Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.2	\$0.3*
2002/03	\$0.3	\$0.3
2001/02	\$0.7	\$0.5

Fleet Management Fund Expenditures By Expenditure Type

The direct operating expenditures of the Fleet Management Fund are divided into the following four major expenditure categories:

Personal Services budget of \$2.6 million represents 25.0% of the FY 2004/05 Fleet Management Fund operating budget. The adopted FY 2004/05 personal services budget increased \$0.1 million or 6.0% from the FY 2003/04 adopted budget. Major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, a 2.5% salary market adjustment, and an additional 4.0 FTEs with staggered hire dates starting in March 2005 for maintenance support of City's municipal fire department at a cost of approximately \$52,000.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.6	\$2.6*
2003/04	\$2.5	\$2.5*
2002/03	\$2.6	\$2.3
2001/02	\$2.6	\$2.4

Contractual Services budget of \$0.7 million represents 6.7% of the FY 2004/05 Fleet Management Fund operating budget. The adopted FY 2004/05 contractual services budget remained flat from the FY 2003/04 adopted budget.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.7	\$0.7*
2003/04	\$0.7	\$0.7*
2002/03	\$0.7	\$0.7
2001/02	\$0.7	\$0.7

INTERNAL SERVICE FUNDS

Budget by Fund

Commodities budget of \$3.5 million represents 33.0% of the FY 2004/05 Fleet Management Fund operating budget. The adopted FY 2004/05 commodities services budget increased \$0.3 million from the FY 2003/04 adopted budget related to increased prices for gas, as well as petroleum-based products and supplies.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.5	\$3.5*
2003/04	\$3.2	\$3.2*
2002/03	\$3.3	\$3.5
2001/02	\$3.5	\$3.0

Capital Outlay budget of \$3.6 million represents 34.6% of the FY 2004/05 Fleet Management Fund operating budget. The adopted FY 2004/05 capital outlay budget remains relatively flat with the FY 2003/04 adopted budget.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.6	\$3.6*
2003/04	\$3.5	\$3.5*
2002/03	\$5.4	\$3.9
2001/02	\$4.8	\$4.6

Fleet Management Fund Balance

The Fleet Management Fund balance varies primarily due to the vehicle replacement schedule. The portion of internal charges to programs for replacement vehicles is evenly spread over the expected life of the vehicles. This charge becomes revenue to the Fleet Management Fund and is representative of the replacement charge for many vehicles with differing useful lives. Therefore, the revenue does not vary significantly by year, but the year in which vehicles are purchased may vary significantly if, for example, several large, expensive vehicles are scheduled for replacement in a single year. The fund balance at the end of each year includes the accumulated balance to be used for future year vehicle purchases.

The ending FY 2004/05 fund balance is projected to be approximately \$9.4 million, which is nearly a \$0.1 million increase above the FY 2003/04 year-end estimate.

See glossary for
Expenditure Type
definitions.

*Self-Insurance Fund***Fund Purpose**

The Self-Insurance Fund is used to account for the City's self-insurance program. Revenue to this fund is derived from charges to user programs. This fund provides coverage of unemployment, self-insured benefits, workers' compensation, and property and liability claims.

Self-Insurance Fund Revenues and Transfers-In

Internal Charges (Property & Liability Insurance) represent approximately 21.7% of this fund's operating resources. These charges are comprised of a self-insurance charge covering general and auto liability/physical damages, workers' compensation, unemployment taxes, and property charges. The FY 2004/05 budget of \$4.1 million remains flat with the FY 2003/04 year-end estimate.

Internal Charges Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.1	\$4.1*
2003/04	\$4.1	\$4.1*
2002/03	\$4.3	\$4.1
2001/02	\$4.7	\$4.7

Group Health and Dental (Employer/Employee) represent approximately 70.5 % of this fund's operating resources. These charges are comprised of employer and employee contributions toward the City being fully self-insured. The FY 2004/05 budget of \$13.3 million reflects the first year of full self-insured status by the City.

Group Health and Dental Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$13.3	\$13.3*
2003/04	-	-
2002/03	-	-
2001/02	-	-

Interest Earnings are generated on idle Self-Insurance Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield. The FY 2004/05 budget of \$0.4 million, which now includes interest earnings pertaining to Group Healthcare, remains relatively flat from the FY 2003/04 year-end estimate.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.2	\$0.4*
2002/03	\$0.3	\$0.3
2001/02	\$0.8	\$0.5

Property Taxes (Tort Claims) reimburse the City for the actual cost of liability claim judgments paid during the most recently completed calendar year, as allowed by the Arizona Attorney General. Claim judgments are paid from the Self-Insurance Fund – an Internal Service Fund – and therefore, the reimbursement becomes revenue to this fund. The FY 2004/05 budget of \$0.4 million reflects a decrease of \$0.2 million from the FY 2003/04 year-end estimate, which is attributable to fewer liability claim judgments paid by the City in the prior calendar year.

Property Taxes Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.6	\$0.6*
2002/03	\$1.0	\$0.6
2001/02	-	\$0.6

Transfers-In total \$0.6 million from the General Fund to address anticipated rate increases and future actuarially determined funding needs.

Self-Insurance Fund Expenditures By Expenditure Type

The direct operating expenditures of the Self-Insurance Fund are divided into the following three major expenditure categories plus transfers-out:

Personal Services budget of \$0.5 million represents 9.6% of the FY 2004/05 Self-Insurance Fund budget. The adopted FY 2004/05 personal services budget increased 3.0% from the FY 2003/04 adopted budget. The budget does not include any additional staff positions. Major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, and a 2.5% salary market adjustment.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.5	\$0.5*
2002/03	\$0.5	\$0.5
2001/02	\$0.5	\$0.5

Contractual Services budget of \$4.7 million represents 90.4% of the FY 2004/05 Self-Insurance Fund budget. The adopted FY 2004/05 contractual services budget remains flat with the FY 2003/04 adopted budget.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.7	\$4.7*
2003/04	\$4.7	\$4.7*
2002/03	\$4.6	\$4.3
2001/02	\$3.9	\$5.2

Commodities budget of \$42,500 represents less than 1.0% of the FY 2004/05 Self-Insurance Fund budget. The adopted FY 2004/05 commodities budget remains flat with the FY 2003/04 adopted budget.

Commodities Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$42,500	\$42,500*
2003/04	\$0.1M	\$0.1M*
2002/03	\$0.2M	\$0.1M
2001/02	\$0.1M	\$0.1M

Transfers-Out budget of \$11,100 will be sent to the CIP fund for replacement of technical equipment.

Self-Insurance Fund Balance

The Self-Insurance Fund balance is maintained to provide for coverage of unemployment, self-insured benefits, workers' compensation, and property and liability claims. The required fund balance is actuarially determined on an annual basis.

The ending FY 2004/05 fund balance is projected to be \$20.1 million, which is an increase of \$2.1 million from the FY 2003/04 year-end estimate.